

inconvenient variations in the value of the capital. The effect on prices is obvious.

The inductive method of science—which discovers the uniformities of relation between certain conditions and certain other conditions (in other words, the causes of effects)—is applicable to the problem of investments. We are assured of a causal connection when a definite effect appears on the appearance of a given condition, or set of conditions, and is absent when that condition is removed. A consideration of the circumstances which have been related in respect of Consols (and the observations embrace securities of all descriptions) will enable the investor to form a code of rules which express the constancy of these connected conditions and results. And rules thus founded upon experience afford a power of forecast and thus a guide to action. And here, perhaps, a general remark may suitably be submitted—applicable equally to books of the scope of the present one as to treatises on political economy—that a financial exposition does not consider man in the completeness of his nature, but simply regards those qualities of his character which embody the desire for gain and station.

II.—THE CRISIS IN AMERICA OF 1907 AS A LESSON

A period of severe commercial depression with resulting social misery and financial loss is fitly termed a crisis,¹ when we remember the significance of the word. For the general condition which it involves constitutes a judging or testing of the character of the causes by which it has been produced, and also the sentence which that condition itself has pronounced.

The excessively rapid development of the resources of America (premature in its relation to the genuine demand); the extensive profits which were consequently realised in manufactures, and the stimulated prosperity which seemed to possess no limit, tempted the influx of additional capital into this

¹ Crisis: Derived from the Greek *icplcris*, a judgment, sentence, from a verb meaning to search into, to distinguish between good and bad; then to decide, and

finally, as the result of inquiry and discrimination, to pass sentence : the conception is then transferred to signify a decisive stage in the progress of anything, a turning-point.